

Kilbraur Wind Energy Co-operative Ltd

Annual Report, AGM Notification and Summary Financial Statements for the year ended 31st December 2011

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Society Information

Directors	Colin Lawrence Graham Phillips George Potts Graham Strachan John Whitfield
Chairman	Colin Lawrence
Company Secretary	Annette Heslop
Registered Number	2701RS
Registered office	Robert Owen House 87 Bath Street Glasgow G2 2EE
Administration Address:	Unit 33, Trinity Enterprise Centre Furness Business Park Barrow-in-Furness LA14 2PN
Auditors	Melville & Co. 18 Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN
Bankers	Co-operative Bank plc 1 Balloon Street Manchester M60 4EP
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH
Number of Current members	528

Chairman's Report – Year ending 31st December 2011

I am pleased to report that 2011 was the most successful year so far for the Kilbraur Co-op.

The main event of the year was the offer to Members of additional shares associated with the extension of the wind farm from 19 to 27 turbines. Discussions took place during the spring and early summer between the Kilbraur Board, Energy4All Ltd and Falck Renewables Wind Ltd to agree the terms of the extension share offer. The basis of the agreement was that the terms and conditions of the extension offer would be the same as those of the original offer in 2008. I am pleased to say that the Board was satisfied with the process and the terms and conditions that were agreed, and the necessary documentation was finalised in time for the share offer to be launched early in July.

A condition of the agreement with Falck was that the share offer could proceed as long as a minimum investment of £140,000 was raised. In the event, the offer raised £538,025 which enabled the new investment to be purchased from Falck on 15 August and share certificates to be issued at the end of August. This increased the total investment in the Co-op to £1,581,925, and I would like to take this opportunity to thank Members for both their original and additional investments.

I am of the opinion that the new arrangements that were agreed are slightly more favourable to Members than the original offer in terms of their potential return on investment. As the total investment is held to be a single investment in the extended 27-turbine windfarm rather than two separate investments in the original 19 and the new eight turbines respectively, these new arrangements should be of benefit to all Members of the Co-op.

Members may recall that in my statement last year I highlighted the detrimental effect of the very low wind speeds experienced in 2010. In 2011 the Northern Highlands returned to the bracing conditions with which we are more familiar, with the result that wind speeds were very close to the projections on which the original share offer was based. Alongside this, the improvement in turbine reliability was maintained, and few problems were encountered with the new turbines. The effect of this is that I am pleased to say that we are able to offer Members share interest of 11.5 per cent average for the 2011 financial year, and this is covered by Agenda Motion 4.

The Board has continued to focus primarily on protecting Members' investments and ensuring that Members receive the maximum return on them. To this end, the Board undertakes financial monitoring of the Co-op's partner organisations in addition to its own accounts, undertakes financial risk assessments, monitors and analyses the performance of the wind farm and keeps close control on the costs associated with running the Board. Members will have received a copy of our Board Expenditure Policy which details the budgeted expenditure over which the Board has direct control.

Members will also have received a copy of our Share Transfer Policy, which came into effect on 1 March 2012. Although I would like to make it clear that, as stated in the original share offer document, investment in the Co-op should be viewed as long-term, this policy makes provision for shares to be transferred between Co-op Members should Members find themselves in a position where they are no longer able to retain their shares.

Under the Co-op's Rules, the Board has a maximum membership of seven directors. Over the past year we have operated with five directors, and I would like to thank Graham Phillips, George Potts, Graham Strachan and John Whitfield for the additional work that they have undertaken. This year Graham Strachan and John Whitfield are standing down by rotation and are seeking re-election. We have also received a new nomination from Ian Whyte and, should Members approve Agenda Motions 5, 6 and 7 covering these appointments, the Co-op will have six directors which the Board considers to be the optimum number for the efficient and effective management of the Co-op.

I would like to thank Annette Heslop at Energy4All for undertaking the role of Company Secretary for the Co-op and also to thank her and her team for the timely and accurate preparation of the Co-op's accounts, the organisation of the AGM and for undertaking the administrative work associated with the extension share offer in addition to the ongoing administration of the Co-op.

Finally, I would like to thank Members for their continued and new investment in the Co-op, and I look forward to being able to report on further success in the future.

Colin Lawrence

Colin Lawrence
Chairman, Kilbraur Wind Energy Co-operative Ltd.
May 2012

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Principal activities

The principal activity of the Co-operative continued to be that of the generation of electricity through renewable sources.

Board of Directors

The following directors have held office since 1 January 2011:

Colin Lawrence

Graham Phillips

George Potts

Graham Strachan

John Whitfield

In accordance with the Co-operative's rules of Association, Graham Strachan and John Whitfield retire by rotation and have agreed to stand for re-election.

The Co-op received one new nomination to join the Board from Ian Whyte therefore the Board would ask members to vote on the motion to re-elect Graham & John for a further term of office and appoint Ian as a Director.

Auditors

A resolution to re-appoint Melville & Co as auditors of the Co-operative for the ensuing year will be proposed at the AGM.

Management

Energy4All Ltd, a company dedicated to developing community ownership of renewables, manages the day to day activities of the Co-operative along with maintaining the members' share register.

Remuneration of Directors

The Board considers it is not appropriate, given the size of the Society, to establish a separate Remuneration Committee, and these functions are carried out by the Board as a whole. The Directors are entitled to claim £500 per annum plus reasonable expenses incurred in the performance of their duties. The Administration Secretary received £1,000 in 2011 in recognition of extra duties arising from the transfer of secretarial responsibilities from Energy4All to the Board. Details of the total value of fees paid are provided in the Notes to the Summary Profit & Loss Account.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The rules of the Co-operative require the directors to prepare financial statements for each financial year. Under those rules the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Co-operative and of the profit or loss of the Co-operative for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Co-operative will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative and enable them to ensure that the

financial statements comply with the Industrial and Provident Societies Acts 1965-2002. They are also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income through the Royalty Instrument Agreement

The Co-operative has a right to an income through a Royalty Instrument with Falck Renewables Wind Ltd. The Royalty Instrument represents an amount paid to secure an entitlement to a share of income from electricity and environmental attributes less operating costs for a period of 25 years. The royalty instrument has a loan note element which ensures the annual investment returns from Falck to the Co-op do not fall below 6.5%. The purchase price is repayable in full at the end of the term so no amortisation is provided.

Wind Farm Production

2011	P50 Budgeted Output MWh	Actual Output MWh	Cumulative % of P50 forecast
January	14,400	10,711	74%
February	15,300	13,928	83%
March	14,900	11,869	82%
April	12,700	9,281	80%
May	10,900	14,459	88%
June	10,900	7,213	85%
July	8,400	6,833	85%
August	9,723	10,286	87%
September	13,800	14,921	90%
October	17,600	18,500	92%
November	18,450	18,169	93%
December	17,240	21,973	96%
Totals	164,313	158,143	

Production during 2011 is approximately 4% down on the budgeted forecast during the year primarily due to lower than average wind speeds and grid curtailment.

Share Interest distribution 2011

As all members are aware, the Kilbraur Co-operative ran a further share offer in 2011 for existing members of the co-op who wished to take an additional stake in the wind farm following its extension to a total of 27 turbines.

This Offer raised £538,025 (to add to the £1,043,900 raised in the Original Offer). This was used to purchase an additional stake in the wind farm from 15th August 2011. Certificates were issued during August 2011.

One of the conditions of the further offer of shares was that the rate of return per share received by members should not be affected by a decision to invest or not to invest in the Extension Offer.

As the co-operative's year end is 31st December this raises the question of how to deal with the return on the Extension Offer money for the four and a half months prior to the year end.

After detailed and careful consideration of the options by Energy4All, the auditors and the Board of Kilbraur Co-op, the decision has been taken that the fairest and simplest way is to make a declaration of return to all members for the first eight months (226 days) of 2011, based on their shareholding prior to the extension offer, together with an additional return to all members based on their shareholding after the extension offer (15 August 2011). The following calculations show the breakdown of members' share interest payments based on £142,629 total profit for the year.

Original offer (19 turbines 1st Jan – 14th Aug 2011)

Total investment	£1,043,900
Income	£81,317
Less operating costs	£19,552
Less Co-op admin costs	£2,882
Add interest received	£180
Co-op Profit	£59,064
Member return on investment	9.1379% (based on £1,043,900 for 226 days)

A member investing £1,000 would receive £56.58 share interest.

Calculation:

£1,000 x 9.1379% divided by 365 x 226 days = £56.58

From 15th August 2011 and beyond, all shares (from both the Original and the Extension Offers) will be treated equally.

Any profit accumulated after the 15th August will be distributed to all members regardless of whether they made an additional investment in the additional turbines.

After Additional Offer (27 turbines 15th Aug – 31st Dec 2011)

Additional investment	£538,025
Income	£107,685
Less operating costs	£22,458
Less Co-op admin costs	£1,772
Add interest received	£111
Co-op Profit	£83,565
Member return on investment	13.8713% (based on £1,581,925 for 139 days)

For every £1,000 invested in the Co-op after the additional share offer, a member would receive £52.82 share interest in addition to the share interest calculated for the first 226 days.

Calculation:

£1,000 x 13.8713% divided 365 x 139 days = £52.82

From 1st January 2012 all shares (from both the Original and the Extension Offers) will be treated equally, as investments in the extended wind farm, for the 2012 financial year and beyond. The entire stake held by the co-op will of course also then benefit from the guarantee from Falck Renewables that the annual return to the co-op will not fall below 6.5% net revenues in any full financial year.

Kilbraur Wind Energy Co-operative Limited

Notice of Annual General Meeting to be held on Wednesday 27th June 2012

NOTICE is given that the Annual General Meeting of members will be held at 6:30pm on Wednesday 27th June 2012 at the Royal Marine Hotel, Golf Road, Brora, Sutherland KW9 6QS for the following purposes:

AGENDA

1. Chairman's Introduction and welcome.
2. Short Presentation by Euan Fraser, Asset Manager, Falck Renewables Wind Ltd.
3. **Motion 1:** To approve the minutes of the annual general meeting held on 29th June 2011 (circulated July 2011).
4. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the period ended 31st December 2011, together with the Report of the auditors thereon.
5. **Motion 3:** To re-appoint the firm of Melville & Co, Chartered Accountants, as auditor until the conclusion of the next Annual General Meeting.
6. **Motion 4:** To approve the distribution of the surplus funds for the year (the operating profit together with any other income) by way of Share Interest. A share interest statement will be provided with each payment.
7. **Motion 5:** To re-elect Graham Strachan as a Director of the Co-op.
8. **Motion 6:** To re-elect John Whitfield as a Director of the Co-op.
9. **Motion 7:** To elect Ian Whyte as a Director of the Co-op

Close of Formal Business

By order of the Board
Annette Heslop,
Company Secretary
16th May 2012

Registered Office:
Robert Owen House,
87 Bath Street
Glasgow G2 2EE

Administration Address:
Unit 33, Trinity Enterprise Centre
Furness Business Park
Barrow in Furness
Cumbria LA14 2PN
Tel: 01229 821028
info@kilbraur.coop

Please refer to the enclosed Form of Proxy for instruction on voting.

Nominations to the Board

The Rules allow for a maximum number of seven Board members. Currently there are five members and this year both Graham Strachan and John Whitfield will retire by rotation and both will seek re-election. The Co-op received one new nomination from Ian Whyte to join the Board. As the Co-op has not reached its maximum Board number, members are asked to appoint Graham, John and Ian to the Board through a motion.

Biographical Notes

Retiring Directors Seeking Re-election

Graham Strachan– Beauly, Inverness

I joined the KWEC Board in 2009 bringing over 20 years professional experience of rural community and economic development. I returned to the Highlands in 1990 and worked for Ross & Cromarty and Highland Councils. Laterly I was Development Manager for the Inverness Area and Ward Manager for Loch Ness & Aird. I have worked closely with many rural community groups and negotiated a number of wind farm community benefit packages. I have worked closely with local communities on many energy and environmental projects. I have established and chaired many community organisations and have considerable experience of project funding, development and management.

I joined the board of the Great Glen sister co-op in 2008 and am currently Chair of that co-op. This experience gives me added insight into the operation of both wind farms and the administration of the co-op's something that benefits everyone. I live in Beauly and have many interests throughout the Highlands.

John Whitfield – Helmsdale, Sutherland

John was born in Malaysia in 1964, with family roots in Ross-shire. He graduated from Edinburgh University in 1987 with a degree in civil engineering and has designed and built many and varied facilities, including dams, roads, bridges and towers and been responsible for multimillion-pound projects both in the UK and overseas (Botswana and Abu Dhabi).

John has been a member of the Kilbraur Wind Energy Co-operative board since his election in June 2009. Based in Sutherland, John has been an active member of the board, serving as secretary for the last 2 years, taking a keen interest in the wind farm production figures and coordinating the work of the small community development fund.

John has a keen interest in promoting local small-scale renewable energy projects. He is actively working on domestic energy conservation and micro-generation and on the development of sustainable community projects in Brora and Helmsdale.

The members of the board retire in rotation and John seeks re-election to the board in order to complete the tasks that the current board has initiated.

New Candidate

Ian Whyte – By-Dingwall, Inverness

I am sixty five years old, was born and raised and still live in the Black Isle. I trained as a telephone engineer with The Post Office then worked for a time in Saudi Arabia, training Saudi Air Force personnel. On my return to the UK I started my own business which I ran reasonably successfully for twenty years when a serious health problem forced me to sell my business. Since my return to good health I have become a supervisor with Community Service.

I have been a director of the Great Glen Energy Co-op for three years, a position I thoroughly enjoy. I hope I will be given the same chance to bring that enthusiasm to the board of Kilbraur Wind Energy Co-op.

INDEPENDENT AUDITORS' STATEMENT TO THE SHAREHOLDERS OF KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

We have examined the summary financial statement for the period ended 31 December 2011 set out on pages 11 and 12.

Respective responsibilities of directors and the auditors

The directors are responsible for preparing the summarised financial statements in accordance with applicable United Kingdom law and guidance.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual report with the full financial statements and the Directors' Report.

We also read the other information contained in the summarised financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full financial statements describes the basis of our opinion on those financial statements and the Directors' Report.

Opinion

In our opinion the summary financial statements are consistent with the full financial statements and the Directors Report of Kilbraur Wind Energy Co-operative Limited for the period ended 31 December 2011 and have been prepared in accordance with relevant guidance and regulations.



Melville & Co.
Chartered Accountants
Statutory Auditor

14th May 2012

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18 Trinity Enterprise Centre
Barrow-in-Furness
Cumbria
LA14 2PN

KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

SUMMARY PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Share of net operational income of wind farm		189,002	107,804
Cost of sales	1	(42,010)	(31,996)
Gross profit		146,992	75,808
Administrative expenses	2	(22,308)	(27,649)
Other operating income	3	17,654	21,839
Operating profit		142,338	69,998
Other interest receivable	4	291	121
Profit on ordinary activities before taxation		142,629	70,119
Tax on profit on ordinary activities		-	-
Profit for the period	5	142,629	70,119
Members Return on Investment			
Gross Return prior to extension		9.1%	6.7%
Gross Return after extension		13.9%	

Notes

1 Cost of Sales

Typical operating costs include operational & maintenance fees, rates, land rental fees, insurance and community benefit.

2 Administrative expenses

Includes directors remuneration (£3,000), directors expenses, management & admin charges (£17,654).

3 Other operating income

Re-imbursable admin & management charge (£17,654).

4 Other interest receivable

Interest receivable from funds in Co-operative Bank accounts.

5 Profit for the period

Profit for distribution to members.

KILBRAUR WIND ENERGY CO-OPERATIVE LIMITED

SUMMARY BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011		2010	
		£	£	£	£
Fixed Assets					
Intangible assets	1	1,581,925		1,043,900	
Investments	2		1		1
		<u>1,581,926</u>		<u>1,043,901</u>	
Current assets					
Debtors	3	91,926		46,693	
Cash at bank		84,414		45,279	
		<u>176,340</u>		<u>91,972</u>	
Creditors: amounts falling due within one year	4	<u>(176,341)</u>		<u>(91,973)</u>	
Net current assets			(1)		(1)
Total assets less current liabilities		<u>1,581,925</u>		<u>1,043,900</u>	
Capital and reserves					
Called up share capital	5	1,581,925		1,043,900	
Shareholders' funds		<u>1,581,925</u>		<u>1,043,900</u>	

Notes

1 Intangible assets

The royalty instrument secures an entitlement to a share of the revenues less operating costs of the Kilbraur Wind Farm and there is a loan note element which ensures that net revenues will not fall below a certain level. The purchase price is repayable in full at the end of the 25 year term (2 November 2033) or the commencement of decommissioning if earlier. Following an expansion of the wind farm the cooperative raised further capital which was applied to a supplementary royalty instrument giving an increased share of revenues of the extended wind farm over the same period as the original Royalty Instrument.

2 Fixed asset investment

Fixed asset investments comprise an investment of £1 for an ordinary share in Energy4All Limited.

	2011	2010
3 Debtors		
Trade debtors	-	11,059
Prepayments and accrued income	91,926	35,634
	<u>91,926</u>	<u>46,693</u>
4 Creditors		
Trade creditors	10,702	11,363
Accruals	15,939	8,721
Members share interest (includes uncashed amounts from previous years)	144,558	70,793
VAT	5,142	1,096
	<u>176,341</u>	<u>91,973</u>

5 Called up share capital

1,043,900 Ordinary Members Shares of £1 each issued in order to fund the acquisition of a Royalty Instrument with Loan Note element.

During the year the company invited members to apply for additional shares to enable the co-operative to increase its investment in the Royalty Instrument and Loan Note (see note 1). A total of 538,025 new shares of £1 each were issued with equal rights to the existing shares and the full £538,025 was applied to the purchase of the Supplementary Royalty Instrument and Loan Note.